

## Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 USIE-00 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01

INRE-00 NSCE-00 SSO-00 ERDE-00 ARAE-00 /090 W

----- 015066

O R 141630Z MAY 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 5128

INFO AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

UNCLAS LIMA 3950

EO 11652: NA

TAGS: BDIS,ENRG,EINV,PFOR, PE

SUBJ: EXPROPRIATION OF GULF OIL OF PERU

REF: LIMA 3930

1. OFFICIAL GAZETTE AND ALL LIMA DAILIES CARRIED HEADLINES ANNOUNCING EXPROPRIATION OF GULF PROPERTIES HERE. GOVERNMENT-OWNED "LA CRONICA" HEADLINED "AN EXEMPLARY SANCTION OF THE PERUVIAN REVOLUTION--GULF IS EXPROPRIATED FOR IMMORALITY", AND THEN FEATURES A CARTOON WITH PRESIDENT VELASCO CHOPPING OFF THE TENTACLE OF AN EVIL GULF OCTOPUS WHICH HAS ENSNARED A PERUVIAN WHO SHOUTS "BRAVO, CHINO" (PRESIDENT'S NICKNAME).

2. DECREE LAW NO 21144 TEXT FOLLOWS (UNESSENTIAL WORDS OMITTED): A. "CONSIDERING: THAT THE PRESIDENT OF THE MNC GULF OIL CORPORATION HAS ADMITTED BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE OF THE U.S. CONGRESS THAT HIS COMPANY

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PAID, BETWEEN 1966 AND 1970, APPROXIMATELY \$4 MILLION

AS "CONTRIBUTIONS" TO OFFICIALS OF FOREIGN COUNTRIES IN ORDER TO OBTAIN PERMISSION TO CONTINUE ITS OPERATIONS.

B. "THAT THE FORMAL ADMISSIONS BY THIS MNC OF HAVING USED PROCEDURES WHICH AS STATED INVOLVE CRIMINAL PENALTIES AND OFFEND THE PUBLIC ORDER IN AND OF THEMSELVES PRECLUDE THE POSSIBILITY THAT SUCH COMPANY SHOULD CONTINUE TO OPERATE WITHIN PERUVIAN TERRITORY, DIRECTLY OR INDIRECTLY;

C. "THAT, FURTHER, IN SPITE OF THE DEMANDS OF GOVERNMENTS OF LATIN AMERICAN COUNTRIES, THIS COMPANY HAS NOT SPECIFIED (INDIVIDUALIZADO) THOSE WHO WERE IMPLICATED, AND FURTHER, EVEN IF IT HAD SO SPECIFIED SUCH INDIVIDUALS, THIS WOULD NOT REDUCE THE IMMORALITY OF THIS ACT NOR REPAIR THE DAMAGE ALREADY DONE TO LATIN AMERICA.

D. "THAT A FUNDAMENTAL RESPONSIBILITY OF THE PERUVIAN REVOLUTION IS TO MAINTAIN PUBLIC MORALITY;

E. "THAT, AS A CONSEQUENCE OF THE FOREGOING, THE OPERATIONS OF THE SIAD COMPANY SHOULD CEASE IMMEDIATELY;

F. "WITH VOTE OF COUNCIL OF MINISTERS, (THE PRESIDENT) HEREBY ISSUES FOLLOWING DECREE LAW:

G. "ART. 1 - ALL OPERATIONS OF GULF OIL CORPORATION AND OF GULF DEL PERU, S.A. ARE CANCELLED DEFINITELY.

H. "ART. 2 - DECLARES FOR REASONS OF DOMESTIC AND INTERNATIONAL PUBLIC MORALITY, AND FURTHER OF NATIONAL INTEREST AND OF PUBLIC NECESSITY, THE EXPROPRIATION OF ALL THE PROPERTY OF GULF DEL PERU, S.A. PERUVIAN TERRITORY;

I. "ART. 3 - MINISTRY OF ENERGY AND MINES IS CHARGED WITH THE RESPONSIBILITY FOR THE ACTUAL EXPROPRIATION PROCEDURES COVERED BY LAW NO 9125, AS WELL AS MODIFICATIONS, EXTENSIONS AND ANNEXES AND THE TAKING OF IMMEDIATE POSSESSION OF THE PROPERTY SUBJECT TO EXPROPRIATION, AND UNCLASSIFIED

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TO PASS THE EXPROPRIATED PROPERTY TO THE HANDS OF PETROPERU;

J. "ART 4 - THE MINISTRY OF ECONOMY AND FINANCE WILL PROVIDE NECESSARY FUNDS TO COVER THE COST OF THE EXPROPRIATION AND THE COSTS OF THE EXISTING CONTRACTUAL OBLIGATIONS OF THE GULF OIL CORPORATION. SIGNED, MAY 13, JUAN VELASCO ALVARADO".

3. "EL COMERCIO" CARRIED FRONT-PAGE PICTURE OF JUDGE FORMALLY SIGNING EXPROPRIATION PAPERS AND GIVES DETAILED READING OF ACTUAL SEIZURE OF GULF PROPERTY, WHICH OCCURRED AT APPROXIMATELY 6:20 P.M. IT THEN LISTS GULF ASSETS IN PERU. COMPANY HAS 13 SERVICE STATIONS AND A PETROLEUM STORAGE FACILITY IN CALLAO. GULF HAS LUBRICANT OPERATIONS AND IS BEING REPAID FOR AN OLD LOAN FOR THE SUPPLY OF CRUDE. TOTAL CAPITAL IS APPROXIMATELY S/.20 MILLION (\$500,000). GULF IS NOT INVOLVED IN PETROLEUM EXPLORATION ACTIVITIES IN PERU.

4. EMBASSY TALKED BRIEFLY LAST NIGHT WITH EDWIN MCCAIN, MANAGER OF GULF DEL PERU. MCCAIN SAID THAT GOP REPRESENTATIVES ARRIVED AT HIS OFFICE AT APPROXIMATELY 6:00 P.M. HE HAD NO ADVANCE WARNING FROM THE GOP, ALTHOUGH ONE AP REPORTER HAD CALLED HIM ABOUT THE EXPROPRIATION A FEW MINUTES BEFORE. MCCAIN EXPRESSED THIS SURPRISE, AND NOTED THAT GULF RELATIONS WITH GOP HAD ALWAYS BEEN GOOD. IN FACT, GULF HAD ALMOST CONCLUDED A CONTRACT TO SUPPLY PETROPERU WITH \$17 MILLION WORTH OF CRUDE FROM ECUADOR ON 180 DAY PAYMENT TERMS. IN ADDITION, GULF HAD ACCEPTED SEVERAL CHANGES SUGGESTED BY PETROPERU REGARDING PRESENT OPERATIONS WITHOUT RAISING ANY DIFFICULTIES. MCCAIN WAS ATTEMPTING TELEPHONE HIS HEADQUARTERS IN U.S. TO INFORM THEM OF EXPROPRIATION.  
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## Message Attributes

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**TAGS:** BDIS, ENRG, EINV, PFOR, PE, GULF OIL COMPANY  
**To:** STATE  
**Type:** TE  
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